

House Bill 77

Right of recovery under Medicaid provisions of the Deficit Reduction Act (DRA) 3-28-07
 Medicaid Third Party Liability Fact Sheet Bill No. HB 77

Subsection 1902(a)(25)(A) of the Social Security Act already requires States to take all reasonable measures to ascertain the legal liability of "third parties" for health care items and services provided to Medicaid recipients.

SFY 2006 THIRD PARTY LIABILITY – COST AVOIDANCE AND COLLECTIONS

\$744.8 million	Medicaid benefit expenditures
79,000 – 80,000	Medicaid eligible clients monthly
5,500	Approximate number of Medicaid eligible clients with other health insurance coverage

\$17.1 million Costs Avoided

Health care costs avoided by requiring other health insurance to pay on claims before Medicaid. This is accomplished by system edits in the Medicaid Management Information System (MMIS). MMIS will not pay primary on Medicaid claims when we have information that indicates the client has other health insurance. If the claim shows the other health insurance paid MMIS will process the claim and pay any remaining balance of the service, up to the applicable Medicaid reimbursement rate for the service. The amount the other health insurance paid is considered costs avoided.

\$1.5 million TPL Recoveries

Health care costs recovered by the Third Party Liability Unit by billing other third party insurers for health care costs paid by the Medicaid program. This is required if the Medicaid program is unable to ascertain the existence of the third party coverage when the claim processed, i.e. existence of the TPL information is not in MMIS on the date of adjudication to facilitate coordination of benefits. Recoveries also result from the Medicaid program paying on claims and then chasing the recovery from the insurer. This maybe required when a provider has not received a response from the insurer regarding payment and they request a Pay and Chase from the Medicaid program. (**Pay and Chase** Medicaid pays a claim and then recovers payment from the third party carrier that is financially responsible for all or part of the claim.)

14,910	Medicaid carrier bills for healthcare services.
98.5%	Percentage of the carrier bills that were billed within one year of the date of service.
30%	Of these claims were not responded to by the carrier.

Section 6035(a) of the DRA amended section 1902(a) (25) (A) of the Act to clarify that the "third parties" subject to the provisions of 1902(a) (25) include:

- self-insured plans,
- pharmacy benefits managers (PBMs), and
- other parties that are, by statute, contract, or agreement, legally responsible for payment of a claim for a health care item or service. CMS interprets "other parties that are, by statute, contract, or agreement, legally responsible for payment of a claim" to include such entities as: third party administrators (TPAs), fiscal intermediaries, and managed care contractors, which administer benefits on behalf of the risk-bearing plan sponsor (e.g., an employer with a self-insured health plan).
- The DRA also replaced reference to "a health maintenance organization" with "a managed care organization" in identifying the types of third parties to which the provisions of section 1902(a) (25) apply.